

Message Text

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61/50

ACTION PM-07

INFO OCT-01 EA-11 ISO-00 NSC-10 SPC-03 SAM-01 SS-20 RSC-01

CIAE-00 INR-10 NSAE-00 L-03 ABF-01 OMB-01 TRSE-00

IGA-02 AID-20 DRC-01 MC-02 /094 W

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R 280808Z FEB 74

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 2668

SECDEF WASHDC

INFO CINCPAC

CINCUNC

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CORRECTED COPY - TAGS AND SUBJ

JOINT EMBASSY/COMUSK MESSAGE

E.O. 11652: GDS

TAGS: MASS, KS

SUBJECT: FY 74 FOREIGN MILITARY SALES (FMS) CREDIT LOAN

1. MND OFFICIALS HAVE EXPRESSED CONCERN TO US OVER PROBLEMS BEING CREATED BY DELAY IN THE APPROVAL OF FMS CREDIT FUNDS FOR FY 74. THEY POINT OUT THAT ON-GOING PROJECTS AND PROJECTS PENDING WITH US FIRMS WHICH ARE HIGH ON THE US CONCURRED IN ROKG PRIORITY LIST OF REQUIRED DEFENSE ITEMS COULD BE JEOPARDIZED.

2. OF MAJOR CONCERN IS THE \$500,000 PROGRESS PAYMENT FOR THE PATROL SHIPS-MULTI MISSION (PSMM) BEING BUILT BY TACOMA BOAT CO. (TBC) WHICH WAS DUE PRIOR TO 31 JAN 74. PROGRESS PAYMENTS DUE TBC AND THE US NAVY IN FEB 74 TOTAL APPROXIMATELY \$1.7 MILLION. RECENT NAVAL ACTIONS OFF THEIR NORTHWEST COAST HAVE EMPHASIZED TO THE ROKS THE

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URGENT REQUIREMENT FOR ON TIME DELIVERY OF THESE

VESSELS WHICH OPERATE EFFECTIVELY IN SHALLOW WATERS
WHERE ROKN CAPABILITIES ARE PRESENTLY DEFICIENT.

3. THE SECOND ITEM OF CRITICAL CONCERN IS THE AIM-9B TO AIM-9E
MISSILE CONVERSION PROGRAM WITH PHILCO-FORD CORP. THE PROGRAM
IS IN A COSTLY HOLD STATUS AWAITING CREDIT FUNDS, WITH ROKG
REQUIRED TO PAY A FEE OF \$12,000 A MONTH TO MAINTAIN
THE PRICES QUOTED FOR THE PROGRAM IN JUNE 1973. A
MINIMUM OF \$3.3 MILLION IS REQUIRED BY MARCH 1, 1974.

4. IN ADDITION TO THE ABOVE, THE ROKG CURRENTLY
OWES E-SYSTEMS INC. ADDITIONAL PROGRESS PAYMENTS
FOR THE AN/PRC-77 TACTICAL RADIO PROGRAM. FURTHER,
PROGRESS PAYMENTS TO OTHER US CONTRACTORS WILL BE
REQUIRED ON ALL ON-GOING FMS CREDIT PROGRAMS IN
MARCH 1974.

5. AN EARLY RESOLUTION OF THE CREDIT LOAN
PROBLEM IS NECESSARY. ROKG HAS REQUESTED
DEFINITIVE INFORMATION ON FUND STATUS. REQUEST
AN EXPEDITED REVIEW AND ADVICE CONCERNING CREDIT
FUNDS STATUS FOR KOREA. IF POSSIBLE WOULD APPRECIATE
REPLY BY MARCH 4.

HABIB

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